

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6874

BILL NUMBER: HB 1937

DATE PREPARED: Apr 11, 2001

BILL AMENDED: Apr 11, 2001

SUBJECT: Premium Payments to ICHIA.

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) The bill specifies that the current 12-month limit for a preexisting condition limitation on an individual policy of accident and sickness insurance applies only if the individual received medical advice, diagnosis, care, or treatment of the condition during the 12 months before the effective date. The bill also provides that an individual or association or discretionary group accident and sickness insurance policy may, if certain conditions are met, contain a waiver of coverage for a specified condition for not more than 5 years. The bill specifies that an offer of coverage under a policy that includes such a waiver does not preclude eligibility for a policy issued by the Indiana Comprehensive Health Insurance Association (ICHIA). The bill also prohibits the waiver of coverage for a mental health condition.

The bill sets forth guidelines that the Indiana Comprehensive Health Insurance Association (ICHIA) must conform to in setting assessments for members.

The bill allows an individual to pay the premium for an Indiana Comprehensive Health Insurance Association (ICHIA) policy in cash, by bank draft, by check, by cashier's check, by money order, or by credit card, debit card, charge card, or a similar method. The bill specifies that liability for a payment is not discharged until the ICHIA receives the payment. The bill also allows the ICHIA to contract with a bank or credit card vendor for acceptance of bank cards or credit cards, and that any fees charged for use of the card may be charged to the individual. The bill requires a receipt to be issued to an individual who makes a cash payment.

The bill authorizes the Office of Medicaid Policy and Planning (OMPP) to apply to the U.S. Department of Health and Human Services for approval of a demonstration waiver to provide coverage to individuals with severe chronic diseases and specifies certain procedures that have to be followed.

The bill requires the Health Finance Advisory Committee to review specified issues and make recommendations to the Health Finance Commission not later than May 1, 2002. It also requires the Commission to make recommendations to the Legislative Council not later than November 1, 2002.

Effective Date: (Amended) Upon Passage; July 1, 2001.

Explanation of State Expenditures: (Revised) *Health Insurance Waivers:* This bill allows individual insurance policies, association group policies, and discretionary group policies (i.e., not employee group policies) to include waivers of coverage for up to 5 years. (Current statute allows for only a 12-month exclusion for preexisting conditions.) The impact on the state, if any, is a potential decrease in demand for ICHIA policies. This impact is likely to be small. The potential impact would be the difference between the cost and premium per insured for participants in ICHIA. This impact exists because an insurance policy with a waiver of coverage could provide a lower cost option to an individual than the ICHIA program, but with lesser coverage than ICHIA.

ICHIA Premium Payment Methods: The bill potentially could increase the administrative cost of ICHIA if: (1) ICHIA contracts with a bank or credit card vendor for acceptance of bank cards or credit cards; and (2) ICHIA chooses not to pass through to members the cost of fees charged for the use of a bank card or credit card.

Typically, an agreement negotiated with a bank or credit card vendor will include a vendor processing fee which is charged on each transaction for which the bank or credit card is used. The Bureau of Motor Vehicles (BMV) currently accepts Visa, MasterCard, and Discover. Vendor fees have totaled about 1.9% to 2% of the amount of transactions involving the credit cards during CY 1998, CY 1999, and CY 2000. Vendor fees for the BMV totaled approximately \$1.2 M during the last nine months of CY 1998; approximately \$2.13 M in CY 1999; and approximately \$1.54 M during the first six months of CY 2000. The bill permits ICHIA to collect fees from individuals using a bank or credit card.

Medicaid Waiver: The bill authorizes the Office of Medicaid Policy and Planning to apply for a demonstration waiver to provide coverage to individuals with severe chronic diseases. This could potentially reduce costs to the state from ICHIA if health care cost of some individuals that would otherwise be assumed by ICHIA is paid through Medicaid. The impact of the bill also depends upon whether the Medicaid waiver is pursued by OMPP and granted by the federal government and the extent to which individuals currently being served in the ICHIA program would, instead, receive medical services through the Medicaid waiver. The extent of the potential reduction in cost is indeterminable. Waiver costs would be shared with the federal government under the Medicaid program with the federal share equal to about 62% and the state share being about 38%.

ICHIA Review: The bill requires the Health Finance Advisory Committee to review issues related to ICHIA and report to the Health Finance Commission. The Health Finance Commission is a statutorily created commission that receives funding from the Legislative Council. It is charged with studying health-related issues. The Commission may study any topic directed by the chairman of the Commission; assigned by the Legislative Council; or concerning issues that include: the delivery, payment, and organization of health care services; and promulgated rules that pertain to health care delivery, payment, and services that are under the authority of any board or agency of state government. The review presumably can be performed by the Health Finance Advisory Committee without additional staffing or resources.

Background: ICHIA is the high-risk insurance program offered by the state. To be eligible, Indiana residents must show evidence of: (1) denied insurance coverage or an exclusionary rider; (2) one or more of the "presumptive" conditions such as AIDS, Cystic Fibrosis, or Diabetes; (3) insurance coverage under a group, government, or church plan making the applicant eligible under the federal Health Insurance Portability and Accountability Act (HIPAA); or (4) exhausted continuation coverage (e.g., COBRA). Premium rates must

be less than or equal to 150% of the average premium charged by the five largest individual market carriers. ICHIA is funded through the premiums paid by individuals obtaining insurance through ICHIA and by assessments imposed on member companies (insurers, health maintenance organizations, and others that provide health insurance or health care coverage in Indiana). ICHIA assessments are estimated to be approximately \$48.75 M in CY 2001 and \$57.10 M in CY 2002.

Under current law, member companies are permitted to recapture the assessments by taking a non-refundable credit against Premium Taxes, Gross Income Taxes, Adjusted Gross Income Taxes, Supplemental Corporate Net Income Taxes, or any combination of these taxes. Assessments that are not claimed as credits in a calendar year can be credited in succeeding years until the total of the assessments has been offset. Thus, a portion of ICHIA assessments paid by member companies are currently reimbursed by the state General Fund in the form of reduced tax payments from those companies. However, some member companies have been unable to claim tax credits in the full amount of ICHIA assessments.

A survey conducted by Outsourced Administrative Systems (OASYS, third-party administrator of ICHIA) during 2000 suggests that in CY 1998 member company tax credits were equal to 62.1% of assessments for that year. This amounted to an estimated \$14.97 M in tax credits claimed for assessments imposed in CY 1998 (62.1% of \$24.1 M in total assessments). Assuming that profit margins of member companies will be similar in CY 2001 and CY 2002, the value of tax credits claimed for assessments imposed in each year is estimated to be \$14.97 M. Thus, unclaimed assessment tax credits for CY 2001 and CY 2002 are estimated to be \$33.78 M and \$42.13 M, respectively. Under current law, these unclaimed assessment tax credits would have to be carried over to subsequent years.

Explanation of State Revenues: (Revised) *Health Insurance Waivers:* See Explanation of State Expenditures, above, regarding the ICHIA program.

ICHIA Assessments: The bill could potentially impact the timing of ICHIA assessment collection if the ICHIA Board elects to allow member insurers and HMOs to pay in monthly installments. The Board could allow this if a member company's semiannual assessment exceeds \$50,000. The bill also could provide for penalties to be assessed against member companies for late payment of assessments. The maximum penalty could be 1% per month. The impact of this provision is indeterminable.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Comprehensive Health Insurance Association, Department of Insurance, Health Finance Commission.

Local Agencies Affected:

Information Sources: Jane Morrical, Bureau of Motor Vehicles, 232-2822. M-Plan Testimony to the Interim Study Committee on the Indiana Comprehensive Health Insurance Association, September 20, 2000.